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SUBJECT: U/S PADILLA PUSHES RENEWED ECONOMIC RELATIONSHIP WITH  
THAILAND

¶1. (SBU) Summary: Under Secretary of Commerce for International Trade Christopher Padilla held a productive visit to Bangkok on April 28, underscoring with Thai government officials, private sector groups, and the press that the United States fully supports Thailand's democratically-elected government and is eager to re-energize the economic and commercial relationship. U/S Padilla was in Thailand to celebrate the 175th anniversary of U.S.-Thai relations and discuss bilateral trade and investment issues. During meetings with the Prime Minister, Foreign Minister, Finance Minister, Trade Minister, and Transport Minister, U/S Padilla proposed that the United States and Thailand begin a formal dialogue to develop a Joint Action Plan to improve intellectual property rights (IPR) protection in Thailand and joined with the Ambassador to advocate on behalf of Engine Alliance (GA), which is seeking to provide U.S.-made engines for Thai Airway's Airbus A380. Under Secretary Padilla also raised U.S. concerns related to the Doha Round, investment, and customs valuation for alcoholic beverages. Thai officials welcomed U.S. support for the new government and expressed serious interest in beginning a formal dialogue on IPR issues. End Summary.

¶2. (SBU) Together with the Foreign Minister, the Prime Minister and Ambassador John, Under Secretary Padilla opened the Business Summit on April 28 celebrating U.S.-Thai partnerships and the 175th Anniversary of U.S.-Thai relations. The Business Summit was co-sponsored by the Ministry of Foreign Affairs, the U.S.-ASEAN Business Council, the American Chamber of Commerce in Thailand and the U.S. Embassy. In his remarks, U/S Padilla noted the close economic ties between the United States and Thailand, underscored America's support for the democratically-elected government, and called for both sides to re-energize the economic and trade relationship. He urged Thailand to allow greater foreign investment in communications, transportation, financial services, and agribusiness. He also noted Thailand's efforts to improve IPR protection in 2007 and proposed a formal dialogue to discuss IPR issues and develop a Joint Action Plan to address them. Foreign Minister Noppadon complained that the U.S. Trade Representative should have downgraded Thailand to the Special 301 Watch List for IPR violations, rather than continuing its placement on the Priority Watch List (PWL) for another year. The Prime Minister promised no new restrictions on foreign investment and offered consideration for more flexibility on investment in services.

¶3. (SBU) In an ensuing meeting with PM Samak, U/S Padilla congratulated Thailand on its return to democracy and reiterated America's support for the democratically-elected government. Padilla explained the USG's recent decision to keep Thailand on the PWL, and reiterated his proposal for the creation of a formal bilateral dialogue to develop a joint action plan or roadmap for improving IPR protection. In a wide-ranging discussion in which the Prime Minister discussed at length the history of aviation, U/S

Padilla and the Ambassador advocated for the Engine Alliance (EA) bid to provide U.S.-manufactured engines for the new A380. U/S Padilla noted that the EA engines were more fuel-efficient, and that the bid had been accepted by Thai Airways on technical merits. A positive decision by Thailand would send an important message to other companies participating in Thai procurements and would further reinforce bilateral trade ties. Although the Prime Minister admitted that he did not have all the background on this matter, he appeared receptive to EA's bid and agreed that the decision should be based on the facts.

Commerce Minister shows interest in IPR, WTO

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14. (SBU) U/S Padilla later met with Commerce Minister Mingkwan and explained more in-depth his proposal for a Joint Action Plan on IPR to address Thailand's inclusion on the Priority Watch List (PWL). He noted that the Prime Minister had expressed his support for the idea. The action plan would address a wide range of IPR issues, including copyright protection, unsafe counterfeit products, and the need for deterrent sentencing by Thailand's Intellectual Property Court. With respect to Thailand's policy of compulsory licensing of patented pharmaceuticals, the Under Secretary noted that he had discussed industry's proposal for a Joint Committee with the Prime Minister as a cooperative approach to address this sensitive issue. The Joint Committee would bring together key Thai Ministries and industry to discuss solutions to health care problems. The Under Secretary recommended that the Joint Committee meet soon, in May or early June.

15. (SBU) U/S Padilla told the Commerce Minister that he welcomed the Prime Minister's remarks at the Business Summit, including his promise that there would be no new restrictions on foreign

investment. He encouraged the Minister to consider amending the list of restricted sectors in the Foreign Business Act (FBA) to open up the transportation sector for U.S. express delivery companies. The Minister said that a revision of the Act's List Two, which restricts foreign participation in inland transportation, is under consideration.

16. (SBU) U/S Padilla also raised the WTO Doha Round and noted that Thailand had made a positive contribution on industrial tariffs. He asked that the RTG give more thought to improving its services offer to help ensure a successful deal. Commerce Minister Mingkwan at first did not appear to be familiar with the current status of the Doha round, but after conferring with his staff agreed to consider the Under Secretary's request.

17. (SBU) In response to a question from the Commerce Minister regarding an administrative review of anti-dumping duties on Thai shrimp exports, U/S Padilla explained that the Department of Commerce is taking the Thai Government's request regarding major exporter Thai Union seriously and would announce its decision in July.

Finance Minister on services, customs

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18. (SBU) In his meeting with Finance Minister Surapong, U/S Padilla encouraged the Thai government to open new sectors to foreign investment, including infrastructure, telecommunications, and financial services. With respect to the Doha Round, he encouraged the RTG to consider making a more ambitious offer on services and described the next few months as a narrow window of opportunity for progress, with a possible upcoming Ministerial meeting in June. The Finance Minister responded that, in general, any opening of sectors would be carefully considered and implemented on a step-by-step basis.

19. (SBU) The Under Secretary expressed his interest in continued progress towards the resolution of the customs valuation issue involving alcoholic beverages as already agreed. He noted the interest of the United States in concluding a written agreement with the Thai Customs Department to confirm the resolution of this matter. U/S Padilla also advocated on behalf of EA's bid to supply engines for Airbus A380s.

## Foreign Minister welcomes IPR proposal

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¶10. (SBU) During his meeting with Foreign Minister Noppadon, U/S Padilla reiterated America's support for the new democratically-elected government and the desire to reenergize economic relations. With respect to the compulsory licensing issue, he expressed his appreciation to Noppadon for his Ministry's participation in the Joint Committee and urged that this Committee meet soon. The Foreign Minister said that he would convey these concerns to the Health Minister.

¶11. (SBU) The Foreign Minister asked that the United States reconsider the placement of Thailand on the Special 301 Priority Watch List, but welcomed the U.S. proposal for a formal dialogue on IPR issues and the development of a Joint Action Plan. Ambassador John suggested that both governments could consider adding an IPR discussion to the Strategic Dialogue planned for early June in Washington.

¶12. (SBU) In response to a question from the Foreign Minister on benefits under the Generalized System of Preferences (GSP) program for gold jewelry, Under Secretary Padilla explained that under current legislation, restoration of GSP benefits for this product would be based on future export levels for the product.

## Transport Minister wavers on engine advocacy

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¶13. (SBU) Under Secretary Padilla and Minister Santi discussed the bid by Engine Alliance to supply engines for the Airbus A380s purchased by Thai Airways. The Under Secretary noted that he had already raised the issue with PM Samak. He described the superior fuel efficiency of the engines from EA and the Trade and Development Agency (TDA) grant to provide training to Thai Airways staff. The Transport Minister indicated that he would welcome a meeting with EA to further discuss its offer. However, the Minister noted that Rolls Royce had met with him and offered to open a maintenance facility in Thailand that would employ several hundred people. He asked whether the EA bid included any such offer. Ambassador John

promised to convey this question to EA and facilitate a meeting with the ministry as soon as possible. FCS Bangkok arranged a meeting on May 1 for EA representatives with Minister Santi to promote their bid.

## U.S. business community shows support

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¶14. (SBU) During a breakfast roundtable, members of the American Chamber of Commerce in Thailand expressed their support for U/S Padilla's message to the RTG, particularly reengagement on economic issues. They agreed with the Under Secretary that initial steps taken by the RTG such as the removal of capital controls are positive ones. Financial sector representatives emphasized the need for liberalization of the financial sector, but acknowledged significant challenges would be faced in any such effort. The Under Secretary also met with the members of the U.S.-ASEAN Business Council visiting Bangkok. Council members raised concerns regarding the need for Thailand and Cambodia to resolve overlapping claims, Thai policies on biotechnology, compulsory licensing, and investment in services not covered by the bilateral Treaty of Amity and Economic Relations.

¶15. (SBU) Under Secretary Padilla was joined in his Ministerial meetings by Ambassador John, Deputy Assistant Secretary for Asia Ira Kasoff, Chief of Staff to the Under Secretary Micael DiPaula-Coyle, SCO Bacher, and Jean Kelly, Commerce Thailand Desk Officer.

JOHN